

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Shelby County State Bank, Shelbyville, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **August 26, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION-S RATING: This institution is rated Satisfactory.

The rating is based upon the bank's adequate loan-to-deposit ratio, the high level of lending within the assessment area, the excellent penetration of loans among borrowers of different incomes and businesses of different sizes, and a reasonable distribution of credit in the moderate-income BNA. There was no evidence of discriminatory lending practices or policies intended to discourage loan applicants.

The following table indicates the performance level of **Shelby County State Bank, Shelbyville, Illinois** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	SHELBY COUNTY STATE BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received since the previous examination.		

DESCRIPTION OF INSTITUTION

Shelby County State Bank, with total assets of \$113 million as of June 30, 1996, is a subsidiary of Shelby County Bancorp, Inc., a one-bank holding company. In addition to the downtown Shelbyville main office, the bank operates four full-service branches: the West Branch (located in western Shelbyville); the Findlay Branch, the Windsor Branch, and the Strasburg Branch (formerly a subsidiary of the bank holding company). Real estate, commercial, agricultural, and consumer loans are available at all bank offices. The bank, which is the largest financial institution in the community, is primarily a residential real estate and agricultural lender. The bank operates two cash dispensing automated teller machines (ATM) (one in Windsor and one in Findlay) and one 24 hour full-service ATM (at the main bank); the two cash dispensing machines were installed since the previous examination. The institution promotes economic revitalization and growth, consistent with its size, financial capacity, location, and current economic conditions.

DESCRIPTION OF SHELBY COUNTY STATE BANK'S ASSESSMENT AREA

The bank's main office and drive-up facility are located in Shelbyville, Illinois, approximately 35 miles south of Decatur, Illinois. The bank's assessment area encompasses all of Shelby County and consists of six whole Block Numbering Areas (BNAs): 9591, 9592, 9593, 9594, 9595 (all middle-income BNAs), and 9596 (a moderate-income BNA). The assessment area encompasses the towns of Shelbyville, Windsor, Findlay, Strasburg, Cowden, Lakewood, Clarksburg, Stewardson, and Tower Hill. According to 1990 U.S. census data, the assessment area has a population of 22,261. Whites comprise 99.7% of the total population. The median family income for the assessment area is \$29,739. Of the total families within the assessment area 18.4% are low-income; 18.3% are moderate-income; 24.5% are middle-income; and 38.8% are upper-income.

Agriculture and tourism are the principal industries in Shelby County. Corn, soybeans, and wheat are the major crops. Lake Shelbyville, an 11,100 acre man-made reservoir, is a major tourist attraction. Some of the area's major employers include Imperial Bondware (paper products and agriculture supplies), Shelby Memorial Hospital, and P&H Manufacturing (steel fabricated parts and agriculture equipment). Major employers outside of Shelbyville include two Decatur-based companies, Caterpillar and Firestone Tires, and World Color Press, a printing and publishing company located in Effingham.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

A review of the examination loan sample and denied credit applications revealed that the bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act, and the Fair Housing Act. No discriminatory lending practices or policies intended to discourage loan applicants were detected during the examination.

LOAN-TO-DEPOSIT RATIO

A five-quarter review of the loan-to-deposit (LTD) ratio, using the bank's Consolidated Reports of Condition, revealed an average LTD of 60.32%. A review of the June 30, 1996 Uniform Bank Performance Report (UBPR) revealed that the peer LTD was 71.44%, approximately 10% above the bank's. An analysis comparing the bank to other financial institutions in Shelby County revealed loan-to-deposit ratios ranging from a 25% (First Trust Bank of Shelbyville) to 120% (First Mutual Bank, S.B.). The asset sizes of these institutions ranged from \$26 million (Stewardson National Bank) to \$288 million (First Mutual Bank, S.B.). Since some of the local banks are branch offices of larger institutions based in metropolitan areas, only consolidated financial information was available.

A comparison of the bank's loan portfolio with information contained in the previous report of examination dated December 31, 1994 revealed that total loans increased significantly; \$15,391,000 or 30.99% since the previous examination. The bank's average loan-to-deposit ratio is considered reasonable based on the bank's size, financial condition, current economic conditions, and assessment area credit needs. Community representatives did not express any concerns regarding unmet credit needs.

LENDING IN ASSESSMENT AREA

A review of the examination loan sample revealed the following level of lending within the assessment area:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Credit Card	10	10	100%
Commercial/Agriculture	11	10	91%
Direct Installment	20	18	90%
Indirect Installment	20	17	85%
Real Estate	25	21	84%
Single Payment	22	18	82%
Total Approved Loans	108	94	87%

As the preceding chart indicates, a substantial majority (87%) of the sampled loans were made within the bank's assessment area. The above percentages demonstrate the bank's willingness to serve the community's credit needs and evidence the bank's position as a strong lender within its community. The bank's performance in this category exceeds the standards for satisfactory performance.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

A review of the examination loan sample, relative to lending activity to borrowers of different income levels, revealed the following distribution:

LOAN TYPE	LOW-INCOME BORROWERS \$000's/Number	MODERATE- INCOME BORROWERS \$000's/Number	MIDDLE- INCOME BORROWERS \$000's/Number	UPPER-INCOME BORROWERS \$000's/Number
Real Estate	0/0	85/2	426/11	821/10
Direct Installment	36/4	0/0	23/4	61/5
Indirect Installment	18/2	49/6	55/6	23/3
Single Payment	1/1	5/3	4/2	0/0
Credit Card	0/0	4/4	3/2	7/4
Total Loans	55/7	143/15	511/25	912/22

As the preceding chart indicates, of the total sampled loans (with income information), approximately 10% (7 of 69) were made to low-income applicants; 22% (15 of 69) to moderate-income applicants; 36% (25 of 69) to middle-income applicants; and 32% (22 of 69) to upper-income applicants. A comparison of these ratios to the assessment area's demographics (low-income families - 18.4%, moderate-income families - 18.3%, middle-income families - 24.5%, and upper-income families - 38.8%) reveals that the loan sample distribution represents a very reasonable level of lending among the various income segments in the bank's community.

A sample of commercial and farm loans revealed that 3 of 4 loans (with income information) were made to small businesses with annual revenues of less than \$500,000. Income information was not available for the small farm loans in the sample. A review of the bank's June 30, 1996 Consolidated Report of Income revealed that the bank had 337 loans outstanding to small businesses and 673 loans outstanding to small farms; according to the report, all 1,010 loans were in original amounts of \$100,000 or less. The bank's agricultural lending has increased 50%, from \$7,027,000 to \$10,551,000, since the previous examination and the percentage of agricultural lending (16.74%) is five times that of peer (3.79%). The distribution of loans among borrowers of different income levels, and businesses and farms of different sizes is more than reasonable and exceeds the standards for satisfactory performance under this criterion.

GEOGRAPHIC DISTRIBUTION OF LOANS

A sample of 67 real estate mortgage loans made in the six-month period prior to this examination revealed the following distribution:

BNA	# Inside	Percent
9591	3	5%
9592	0	0%
9593	25	44%
9594	23	40%
9595	4	7%
9596*	2	4%
Total	57	100%

*moderate-income BNA

BNAs 9593 and 9594, which are areas near the bank's main office in Shelbyville, account for the majority of the bank's real estate loan activity. Other BNAs in the assessment area are more sparsely populated and have less demand for real estate loans. A review of the geographic distribution of total year-to-date loan activity (for all products) illustrates the bank's performance:

BNA	Main Bank & Drive-Up # of loans	Windsor Branch # of loans	Findlay Branch # of loans	Strasburg Branch # of loans	TOTAL
9591	75	3	3	84	165 (11%)
9592	163	0	2	0	165 (11%)
9593	425	2	11	8	446 (31%)
9594	179	195	84	7	465 (32%)
9595	35	19	99	0	153 (11%)
9596	61	1	0	0	62 (4%)
Total	938 (63%)	220 (17%)	199 (13%)	99 (7%)	1,456

As the preceding chart illustrates, the majority of the bank's total loans are concentrated in BNAs 9593 and 9594, the heart of Shelbyville. This chart also shows a greater distribution

of loans among other BNAs in the assessment area. Given the institution's size, financial condition, and the makeup and location of the BNAs that define the bank's assessment area, the geographic distribution of loans is considered to meet the standards for satisfactory performance.

RESPONSE TO SUBSTANTIATED COMPLAINTS

No CRA-related complaints have been received by the bank since the previous examination.